

AR10

KENTING LIMITED

ANNUAL REPORT TO SHARE HOLDERS 1974





Bob Buchanan
Contracts Manager



Ron Taylor
Pipeline Superintendent



Kevin Biggs
Photo Lab Technician



Tom Schweitzer
Helicopter Engineer



Corrine Galloway
Truck Driver



Marilyn McIvride
Secretary



Maxine Nielsen
Payroll Clerk

KENTING PEOPLE

Their jobs are diverse and their projects world-wide - it is the individual contribution of Kenting's employees that accounts for our corporate success. Illustrated here are but a few of the more than 1,000 people now working for Kenting divisions.



Alice Peach
Contracts Clerk



Robert Johnson
Instrument Supervisor



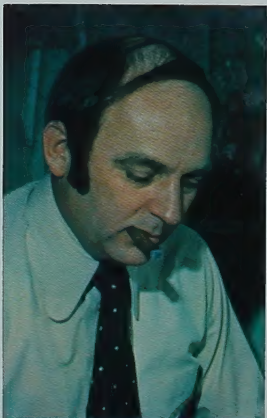
Al Nicholson
Drilling Superintendent



Jim Walters
Senior Geophysical Operator



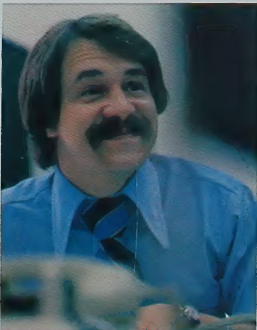
Janice Campbell
Receptionist



Bob Stemp Manager of Ottawa
Geophysical Department



Albert Young
Shop Foreman



Gary Meier
Divisional Accountant



Jack Wyder
Division Manager

GLOSSARY OF
RESOURCE TERMS

GATHERING SYSTEM a complex of gas or oil lines leading from individual wells to a compressor or pumping station which gathers the production for transmission into larger lines leading eventually to a large "trunk" line or storage facility.

GRAVIMETRICS a geophysical method measuring the changes in the earth's gravitational field which may be caused by mineral or petroleum bearing structures. The instrument employed is a gravimeter or gravity meter.

INDUCED POLARIZATION an electrical geophysical prospecting method used to locate disseminated sulfide ores.

MAGNETICS a geophysical method measuring the natural magnetic field, disturbances in which may be caused by geology favourable to the occurrence of petroleum or minerals. The instrument employed is a magnetometer.

MAGNETO TELLURICS a geophysical method which records the magnetic and telluric (electrical or earth) currents. Estimations of depths to various geological horizons are made from the results.

SEISMICS a geophysical method using the generation, reflection of refraction detection, and analysis of elastic waves in the earth. The instrument employed is the seismograph.

SHOT-HOLE the borehole in which an explosive charge is placed during seismic prospecting.

SPECTROMETER geophysical instrument which records the radiation spectrum and relative intensities of gamma rays emitted by various radio-active minerals.

SURVEY STATION a geographical point at which a measurement of some physical parameter is made, i.e. distance, gravity, magnetics.

STRATIGRAPHIC TEST a hole drilled to determine the local stratigraphic (layered) geological section or the position of a key bed.

TAR OR OIL SANDS a mixture of sand, mineral matter, water and crude bitumen; a heavy black asphaltic hydrocarbon, highly viscous and containing sulphur nitrogen and trace metals.

GLOSSARY OF SELECTED
ACCOUNTING TERMS

CASH FLOW FROM OPERATIONS working capital generated from operations before provision for actual income taxes, that is, net profit before extraordinary items and income taxes and before deduction of non-cash items (mainly depreciation).

CONTINGENT LIABILITY an obligation which may arise as a consequence of a future event, the occurrence of which is possible but not probable.

CURRENT ASSETS cash or other assets which will be either converted to cash or used in the conduct of business activities within one year of the balance sheet date.

CURRENT LIABILITIES liabilities which will be liquidated through cash payment or conduct of business activities within one year of the balance sheet date.

DEFERRED INCOME TAXES income taxes which may become payable in future years when expenses (mainly depreciation) claimed for tax purposes become less than those charged for accounting purposes. Provisions for such taxes are made by charges against income during years in which income tax deductions exceed amounts charged for accounting purposes.

DEPRECIATION a systematic charge against earnings intended to amortize the cost of property, plant and equipment (less estimated salvage values) over the useful life of such assets.

EMPLOYEE OPTIONS options held by certain employees which allow them to purchase common shares at contractually pre-arranged times and prices.

EQUITY BASIS a method of accounting for long-term investments under which an investor records his share of income or losses of the entity in which he has invested by increasing or decreasing the carrying value of the investment.

EXTRAORDINARY ITEMS profits or losses which are not typical of normal business activities and which are not expected to occur regularly over a period of years.

PAID IN SURPLUS the excess of the consideration attributable to the issuance of shares over the par value of those shares.

PERCENTAGE-OF-COMPLETION a method of accounting which results in the recording of contract profits on the basis of the amount of work the contractor has completed.

REDUCING BALANCE BASIS a method of depreciation which results in depreciation provisions being largest during the initial year of ownership of assets. Subsequent provisions decline progressively each year.

RETAINED EARNINGS the amount by which net income has exceeded dividends and losses.

TERM DEBT liabilities payable at times which are more than one year from the balance sheet date.

WORKING CAPITAL current assets less current liabilities.

DIRECTORS

J. C. ANDERSON +
President
Allied Equipment Ltd. Calgary

S. W. ARMSTRONG + *
President
Canam Holdings Ltd. Calgary

A. C. JOHNSON
Retired Executive
Canadian Imperial Bank
of Commerce Calgary

J. R. McCAIG
President
Trimac Limited Calgary

D. D. C. McGEACHY +
Corporate Director London, Ontario

D. A. McINTOSH *
Partner
Fraser & Beatty Toronto

A. E. PALLISTER
Vice President, Science and
Development
Kenting Limited Calgary

P. R. SANDWELL
Chairman of the Board
Sandwell and Company Limited
Vancouver

J. A. SCRYMGEOUR +
Chairman of the Board
Westburne International Industries Ltd.

A. VANDEN BRINK + *
President
Kenting Limited Calgary

+ Member, Executive Committee
* Member, Audit Committee

OFFICERS

A. VANDEN BRINK
President

D. M. GRAVES
Executive Vice President

T. A. JONES
Vice President, Finance

A. E. PALLISTER
Vice President,
Science and Development

K. C. GROGAN
Secretary Treasurer

J. F. MOORE
Assistant Secretary

G. W. OWEN
Assistant Secretary



D. M. GRAVES - Executive Vice President
A. VANDEN BRINK - President

TRANSFER AGENTS
Royal Trust Co.

AUDITORS
Price Waterhouse & Co.

SOLICITORS
Fraser & Beatty - Toronto
Harradence and Company - Calgary

MAIN BANKERS
Canadian Imperial Bank of Commerce
Calgary

STOCK EXCHANGE LISTING
Toronto Stock Exchange

TICKER SYMBOL
KAL



T. A. Jones - Vice President, Finance

COVER PHOTO

Earth Resources Technology Satellite imagery of the Mackenzie Delta and the Beaufort Sea. Richards Island, the large landmass appearing in the centre of the cover is the site of several natural gas finds. The blue area on the left is Mackenzie Bay. An area of about 12 020km² (4,644 sq. mi.) is illustrated.

TO OUR SHAREHOLDERS

The programmes outlined at this time last year, designed to improve Kenting's profitability have been successful.

The Company's consolidated net income before extraordinary items for the year ended December 31, 1974 amounted to \$1,333,000 as compared to \$360,000 in 1973. An extraordinary gain of \$58,000 on the sale of investments increased net income to \$1,391,000 in 1974. Extraordinary charges of \$375,000 resulted in a loss in 1973 of \$15,000. Cash flow from operations before taxes increased to \$3,426,000 compared to \$1,958,000 in 1973. Gross revenues amounted to \$30,450,000 in 1974 compared to \$28,586,000 in 1973. Working capital was \$2,051,000 at December 31, 1974, an increase of \$243,000 over our 1973 position. Term debt was reduced by \$1,256,000 during 1974 and amounted to \$4,331,000 at the year end. All cumulative preferred share dividends were paid up to date on April 1, 1975. These dividends totalled \$192,000 and included \$139,000 due prior to December 31, 1974.

The energy issue between the Federal and Provincial Governments over taxation of the resource industries which received much public discussion during the year, remains unsettled. We have seen immediate and disturbing effects in some industry sectors but less in others. The general outlook seems to be improving as the Governments involved appear to realize the ultimate damage to the Canadian economy if the present course is pursued. We are hopeful that a solution satisfactory to governments and industry will be reached in the near future.

The geophysical industry in Canada, both in petroleum and mining, has felt the impact of the slowdown in exploration most immediately. These same influences have had a detrimental effect on the market for drilling services but have not affected the production and construction areas as demand for gas and oil remains high.

This difficult situation does not exist in our international markets in Africa and the United Kingdom where exploration for primary resources of all kinds continues at an encouraging pace.

We submit the following comments on the year's performance of our various divisions.

Good performance by Kenting Oilfield Services, together with satisfactory markets resulted in excellent returns from this division. The division's primary activities are the construction of various installations relating to oil and gas production.

The number of active drilling rigs in Western Canada, the primary market area for Kenting Petrolia Drilling, averaged 152 over the year as compared with 175 in 1973. Petrolia maintained its position in the Canadian market and made a good contribution to consolidated profits. Drilling in the United Kingdom slowed somewhat early in the year, a reflection of the unsettled British political climate and a shortage of oilwell casing. The political situation seems more settled, casing shortages have eased and our equipment is now fully utilized.

While Big Indian's helicopter portable drills showed a good return from primarily Alaskan operations, Canadian mining and tar sands drilling suffered a further decline.

Kenting Earth Sciences has shown markedly improved performance for its air photo, mapping and airborne geophysical services and is now contributing to consolidated profits. Although the mining industry in the provinces of Canada suffers from a taxation debate analogous to that of the petroleum industry, the Northwest Territories, which is under Federal administration, has not been affected to the same degree. Consequently, exploration for uranium and base metals remains at a higher level in the Territories than in the provinces.

Kenting Africa Resource Services is operating in a strong Nigerian market. Currency repatriation procedures became established during the year and even with an increased volume of business, working capital held in Nigeria has been reduced to \$834,000 from the \$1,113,000 reported one year ago.

Considering that there is currently an oversupply of helicopters in Canada, Kenting Klondike Helicopters has met its objectives and performed satisfactorily. Early in 1975 this division was awarded a contract which will utilize five machines for three years in the Western Arctic.

While activity levels increased for Kenting Aviation at Resolute Bay, the exploration slowdown experienced toward the end of the year reduced demand for fixed wing transportation. Substantial improvement in the division was seen over 1973 but returns were not satisfactory and a further decrease in exploration activity is causing concern.

Kenting Exploration Services did not meet its objectives. Geophysical activities in the Canadian petroleum industry decreased by 20% from the previous year. Foreign markets for land seismic services strengthened while the Canadian situation weakened as a result of the resources taxation debate. The Canadian industry is therefore undergoing a period of readjustment. The division has recently completed an overseas contract and additional international projects are being pursued. Canadian marine seismic operations failed to achieve expected returns and rather than attempt international operations with the one well-equipped vessel available to us, a decision was reached late in the year to dispose of this vessel and related equipment.

While the uncertainty of the present domestic market is causing some concern we believe that the long term prospects for Canadian resource development are good. Our present position is to maintain a strong base in Canada and to supplement lost revenues here with income from international operations. Markets in Canada appear strong for pipelining and construction, good for drilling, fair for aviation, poor for conventional geophysics. International demand for our Earth Sciences' services has created a good backlog and we expect expansion of our Nigerian facilities will be warranted.

It is my pleasure, on my own and on behalf of the Board of Directors, to thank all our employees for a job well done in 1974. We look forward to the challenge of 1975 with confidence.

ON BEHALF OF THE BOARD OF DIRECTORS



A. Vanden Brink, President
April 8, 1975

KENTING INTERNATIONAL ACTIVITIES DURING 1974

- ◇ DRILLING
- ◆ AVIATION
- PIPELINING AND CONSTRUCTION
- OFFICES
- △ AIRPHOTO, MAPPING AND FIELD SURVEY
- ▲ AIRBORNE GEOPHYSICS OR AIRBORNE PROFILE RECORDING
- ▨ MARINE SEISMIC SURVEY
- MINING OR PETROLEUM GEOPHYSICS







DRILLING

exploring for hydrocarbons and minerals in Canada, the United States and the United Kingdom.

Kenting Petrolia continues to be our largest division in terms of revenue, accounting for thirty-two percent of Kenting's total sales. Drilling contracts signed with many major and independent hydrocarbon exploration and production companies require Kenting to supply personnel and equipment to drill and complete wells at locations and to depths specified by the client.

Including the rigs of Kenting Big Indian Drilling, a department of Petrolia, Kenting operates twelve oil and gas drilling rigs with depth capability ranging from 984 m (3,000 feet) to 4 592 m (14,000 feet), six specialty rigs rated from 328 m (1,000 feet) to 656 m (2,000 feet) and twenty helicopter portable rigs capable of 131 m (400 feet) total depth.



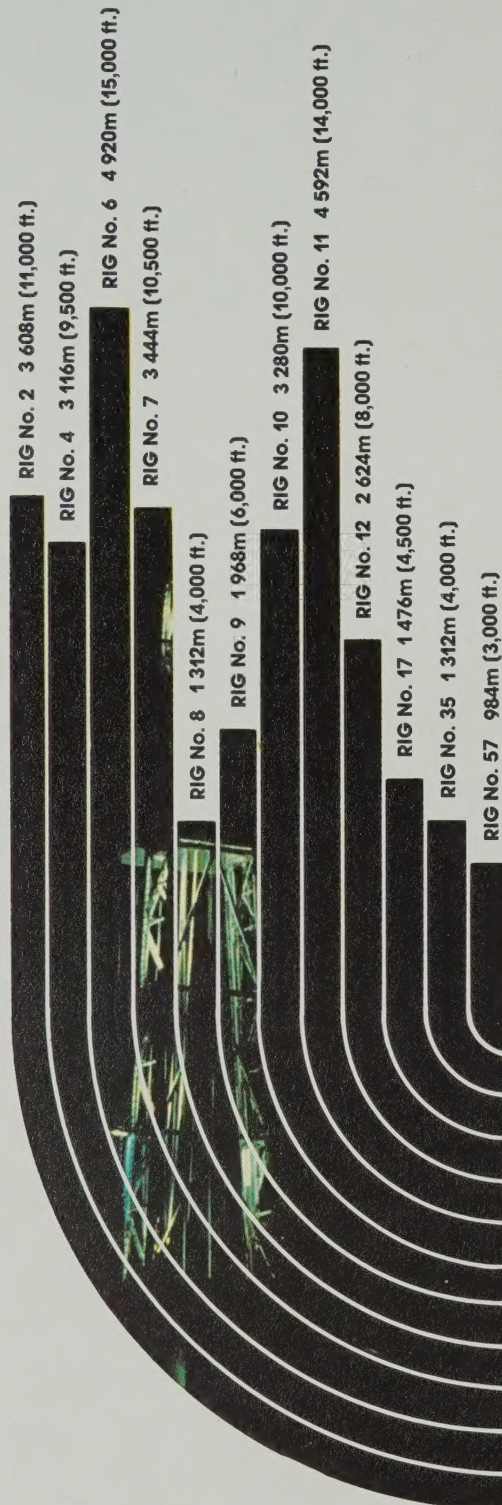
Petrolia's 2 624 metre (8,000 ft.) Rig 12 drilling in the U.K. The canvas walls in the background are acoustic barriers erected to prevent rig noise from reaching the nearby village.

Petrolia's sales and administration offices are located in Calgary while the equipment yard and maintenance shops are in Edmonton. The division's staff averages 200 persons.

In 1974 ninety-five shallow and twenty-five medium to deep wells were drilled in the traditional areas of Alberta and British Columbia. Rigs were engaged drilling the shallow wells of the Oyen, Provost and Vegreville areas and testing the deeper formations of the Swan Hills - Whitecourt - Edson region. Rigs were also active near Fort St. John and Fort Nelson in northeast British Columbia.

Arctic twilight illuminates the DrillArctic rig. Capable of drilling to 4 592 metres (14,000 ft.) it is contracted through to the end of 1975.

PETROLIA DRILLING RATED RIG CAPACITY



DrillArctic, a joint venture of Bow Valley Industries Ltd., Westburne International Industries Ltd. and Kenting Limited was formed in 1972 to provide a rig rated to a depth of 4 260 metres (14,000 feet), equipped to operate in the extreme climate of the Canadian Arctic. During the fall of 1974 the rig was airlifted from its previous location on the west coast of Axel Heiberg Island to its current site on the west side of Victoria Island. After completion of this well the rig is scheduled to move north to a new location on the Sabine Peninsula of Melville Island.

Big Indian Rig 61 samples phosphate prospect during mining exploration programme in Idaho.



Overseas, work for several British clients continued with eight wells completed during the year. Contract locations were widely spread. Beginning in Southern England in Surrey and Dorset, the rig was moved northeast to sites in Yorkshire and finished the year drilling a multi-well programme near Gainsborough in Lincolnshire.

The shallow gas, mining and soil sampling rigs of Kenting Big Indian Drilling were contracted on a variety of projects in the Arctic Islands, the Alaskan North Slope, Western Canada and the Northern United States.

For the third successive year, stratigraphic tests were drilled in the Arctic Islands. Seismic shothole drilling on the North Slope and geological sampling for the Geological Survey of Canada and major oil companies utilized all the helicopter transportable drills designed and built by Big Indian. Truck mounted rigs were coring the Athabaska Tar Sands, drilling phosphate and gold prospects in Montana and Idaho and exploring for coal in British Columbia.

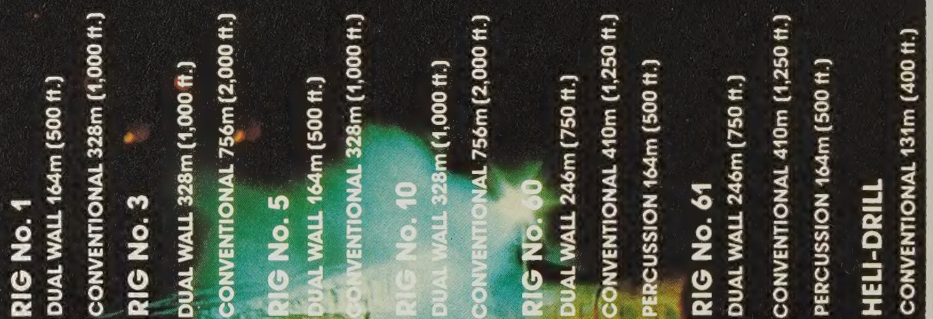
Big Indian's offices and equipment yard are located in Calgary and an average staff of forty-five operates the six truck or track mounted rigs and the twenty heli-drills.

PETROLIA DRILLING

A rig the size of rig 7 requires 25 truckloads to move to a drillsite, employs a crew of 16 men and requires an average of 30 days to complete a hole of 2 953 m (9,000 ft.) dependant on the geology of the area.

BIG INDIAN

Rigs are either truck or track mounted or helicopter transportable. A crew of 3 operates all but the HELI-DRILL which requires only two men. Several rigs are multipurpose units drilling with air, water or mud return systems and are applicable to mining and tar sands exploration.



BIG INDIAN RIG COMPLEMENT

A welder in Kenting Oilfield's fabrication shop works on a high pressure manifold to be installed in a gas gathering plant being built by the division.



CONSTRUCTION AND PIPELINING

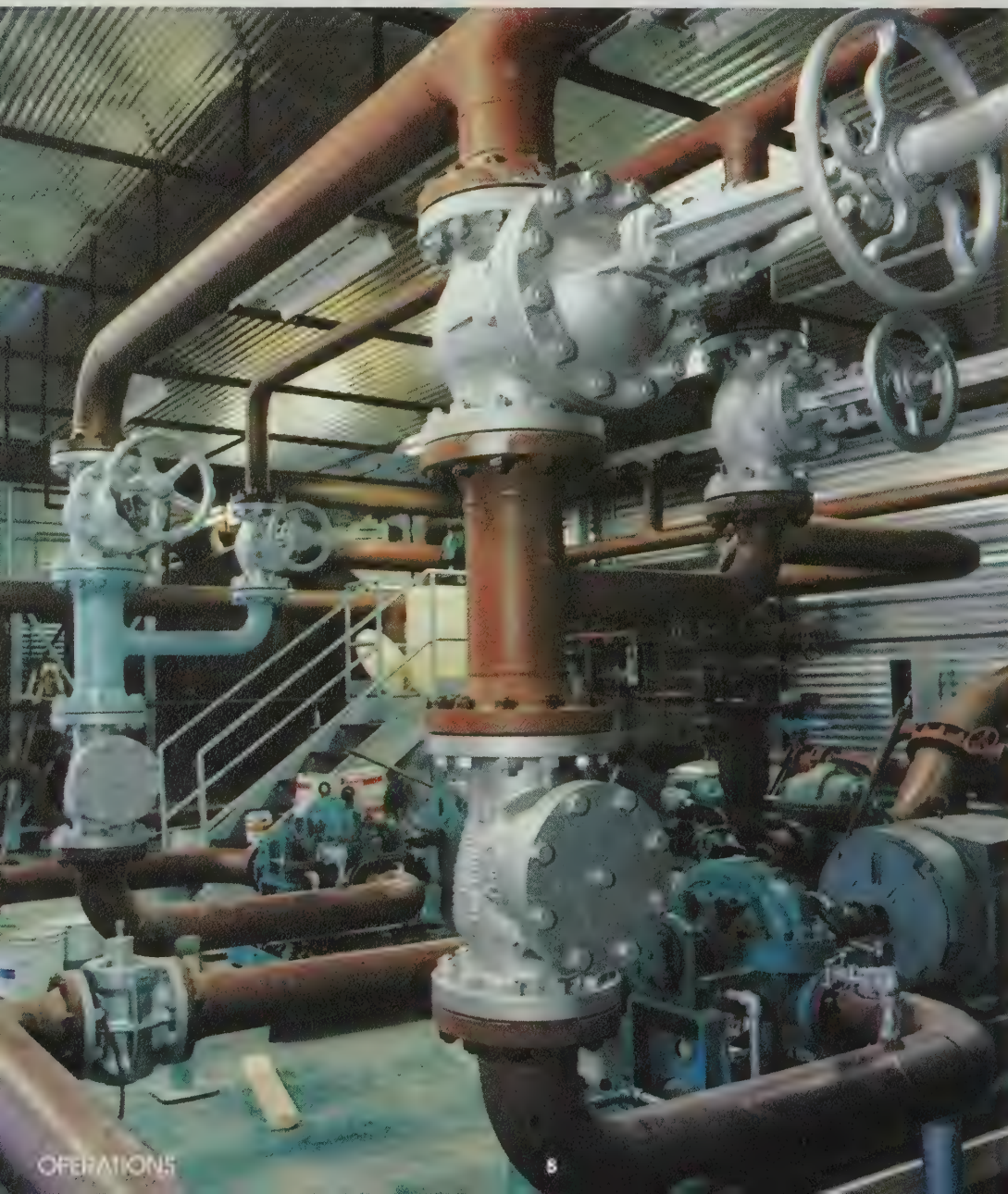
building hydrocarbon production facilities and pipelines for Canadian industry.

KENTING OILFIELD SERVICES

With its head office and equipment depot in Edmonton, and a sales office in Calgary, Kenting Oilfield Services operates four departments each concerned with a different service area of the hydrocarbon production industry.

The Projects Department, responsible for oilfield construction, was very active in Alberta during the year. At Hilda a 1 938 Kilowatt (2600 hp.) gas compressor installation was built, and at Ethel Lake a water filtration facility and pump station were installed. The division constructed an oil pumping station at Duhamel and a number of high-pressure gas lift manifold satellites were fabricated

This water treatment and filtration pipe work is part of a pumping station constructed by Kenting Oilfield Services.



and installed at Judy Creek. This department uses the Edmonton shop for custom pipe work or "spooling". The finished product is then shipped to construction sites thereby reducing costs compared with on-site fabrication.

The Pipeline Department enjoyed an active season in Alberta. Major projects were completed in the Swan Hills and Stettler areas.

Routine maintenance services for existing hydrocarbon recovery facilities are provided from offices located in the primary production regions of Alberta. These District Offices furnish roustabout construction crews and are also equipped to lay short, small diameter pipelines.



Compressor station construction is on the increase as demand for natural gas rises. This 1 938 Kw (2600 hp.) installation is typical of those constructed by Kenting Oilfield Services.

Technical Enterprise, the fourth department, provides its customers with custom designed and standard electrical, pneumatic and hydraulic equipment and service. A line of airstrip lighting systems is manufactured and while the majority of the department's sales are made to the petroleum industry, an industrial market is developing for several product lines.

In order to increase production capacity, additions to the heavy equipment pools of both the Projects and Pipeline Departments were made during the year. Increasing workloads necessitated additions to the supervisory field staff. An average work force of 200 is employed by the division.

A section of open ditch and right-of-way for medium sized gas line, prior to "lowering in". Pipe is visible to the right of the ditch.



Lowering pipe into ditch. Concrete river weights are used in muskeg areas to prevent pipe from floating. After lowering in is completed, the ditch is backfilled, the right-of-way graded and in the spring grass is planted.



Compressor plant inlet and outlet manifolds installed by Kenting are all that remain visible of nearly completed gas gathering system. Compressor station is in background.



KENTING EARTH SCIENCES

Kenting Earth Sciences, the most diverse Kenting division in terms of capabilities and markets, is engaged in aerial photography and mapping, airborne geophysical surveys, ground control surveying and a variety of evaluation services for the forester, the agriculturalist, and the urban planner. The majority of the division's overseas operations were carried out in Africa.

Under contract to the United Nations Development Programme (UNDP), Earth Sciences provided aerial photography, mapping and resources interpretation of portions of Upper Volta, Dahomey and Togo. Study results will provide researchers with valuable

Kenting Earth Sciences Survey Party runs a traverse near a village in Niger - part of a project to locate a hydro transmission line.



GEOPHYSICS AND AERIAL PHOTOGRAPHY

locating and evaluating a variety of natural resources, worldwide.

background data for use in the United Nations' efforts to control the ravages of river blindness - a disease carried by flies which breed in lush river valleys.

The division was responsible to the Government of Tanzania for an airphoto and mapping programme financed by the Canadian International

Development Agency (CIDA). Parts of the country were mapped at a scale of 1:50,000. Final maps are annotated to describe natural and man-made features - a standard procedure in the production of topographic sheets.

Another aerial photography contract, also CIDA financed, and flown in Zaire provided general development baseline data for use in agricultural and transportation planning.

In the Sudan, a high sensitivity airborne magnetometer project designed to locate potential petroleum reservoirs was flown for an industrial client.

In the Canadian Northwest Territories, the growing interest in locating and estimating Canada's uranium reserves provided an opportunity to utilize two of the division's three spectrometer equipped Islander aircraft. Both were fitted with exceptionally large geophysical detection capacity thus enabling the division to expand into a service area previously restricted to more costly helicopter survey techniques. The Islanders were ferried back to the Ivory Coast in the fall when the African weather conditions again become suitable for air survey.

With the addition of three aircraft during the year, the airphoto and geophysical survey fleet now totals twelve units ranging in size from the Aztec to the DC-3.

In the Ottawa headquarters a professional, technical and administrative staff averaging 185 compile geophysical data and airborne photo into final maps ready for the interpretation staff. The acquisition of a digital output Wild A 10 stereoplotter and digital recording systems for ground and airborne data have increased the division's productivity while concurrently upgrading its technical capabilities.

Results from the continuing Ivory Coast surveys are processed in Abidjan through a new digital system built around a PDP8 mini computer.

Research into still more advanced geophysical data recording systems has been undertaken to provide Earth Sciences with a broader capability in the analysis and classification of data. The instrumentation will be more compact, lighter and more easily serviced than systems now in use.

Kenting Exploration geophysicist verifies Induced Polarization transmitter functions during a mining survey on Ellesmere Island.





Spectrometer instrumentation is installed in three Earth Sciences' Islander aircraft. Used in prospecting for radioactive mineralization, the analogue recorders are on the left with the digital recorders located below and Kenting designed electronics on the right.



Marine geophysicist David Danyluk from Kenting Exploration Services examines recording of sediment thickness on board CSS Baffin during a hydrographic survey off Guyana.



Stereo compiler Jacques de Varennes operates the Wild A 10 Universal Autograph. Equipment at left is a digital recording system which records x, y and z co-ordinates for aerotriangulation procedures.

The division maintains two other production centres in Canada, located in Toronto and Calgary. A further twenty specialists staff these offices.

Kenting Africa Resource Services, whose airphoto capabilities complement those of the Ottawa group, employs an average of 200 people and is staffed primarily by Nigerians. Headquarters are in Lagos. This installation provides initial processing of African flown airphoto and handles ground survey operations in West Africa.

KENTING EXPLORATION SERVICES

For the fourth consecutive year, Kenting Exploration Services recorded land seismic data in the Arctic Islands. In addition marine seismic surveys were shot in Hudson Bay acquiring 2 768 km (1,730 mi.) of non-exclusive data. BayQuest '74's data joins that of previous Quests in the division's Data Bank, from which it is available for further sale to industry and government.

The only magneto telluric survey completed in Canada this year was operated by Kenting in the Northwest Territories as was the most northerly Induced Polarization project, on Ellesmere Island.



Nigerian children who live in a village near the experimental farm established by Kenting as part of the Mada River Valley Project, are always excited when project researchers arrive.



This experimental "weathering" shot - the first fired by Kenting Exploration in Kenya, will yield near surface velocity control. Subsequent weathering shots were much less powerful while normal shooting with an experimental energy source is almost unnoticeable.

A large regional gravity programme was completed in the Arctic underlining the division's competence in this type of exploration project. Several mining and engineering geophysical projects were carried out in climates ranging from sub-Arctic to the equatorial. An international land seismic contract, the first for the division, was successfully carried out in Kenya.

The acquisition of a set of Sercel 338B seismic recording instruments, ancillary equipment and additions to the four wheel drive truck fleet, now enables the division to simultaneously field four seismic crews.

A professional staff averaging ninety-five, composed of geophysicists and experienced support personnel, provides geophysical data acquisition and interpretation services to the petroleum and mining exploration industry from their Calgary headquarters.

Twin Otter unloads mail, passengers and freight at Clyde River - a village of about 359 people located on the eastern coast of Baffin Island.



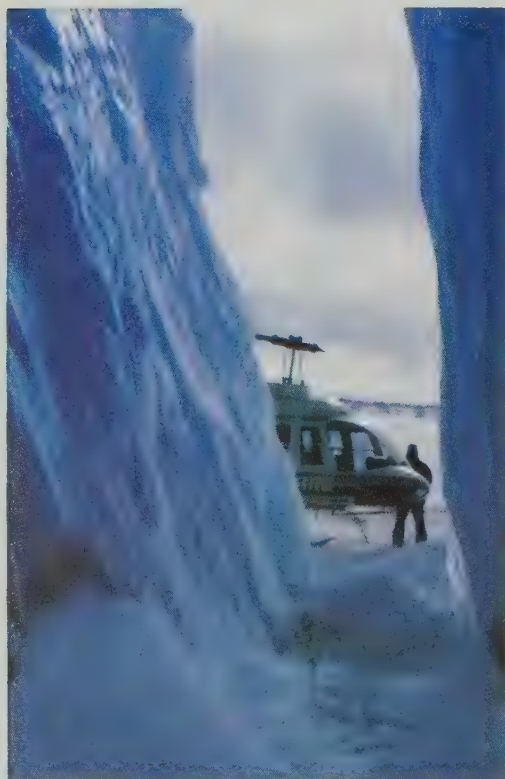
AVIATION

serving Canada including the Arctic, with dependable air transport.





Radio technician, Reinhart Koch in Kenting's Calgary avionics service centre sets up oscilloscope preparatory to running calibration procedures on navigational equipment.



One of Klondike's nine Bell 206 helicopters framed by ridged ice - a common sight in the Arctic where the majority of Klondike's 1974 flying was located.

KENTING AVIATION

From its all-weather base and service hangar complex at Resolute, in Canada's Arctic Islands, Kenting Aviation provides charter and scheduled transportation services to northern residents, petroleum and mining exploration companies and to the Federal and Territorial Governments.

Kenting operates a passenger, freight and mail service to Arctic Bay, Pond Inlet and Grise Fiord. During the year the service was extended to the southeastern Baffin Island community of Igloodik. For the convenience of passengers and expeditors of essential Arctic freight shipments, interline or joint ticketing arrangements are now in effect between Kenting, Pacific Western Airlines and Nordair.

A programme to standardize radio, navigation and instrument layouts in all Kenting Aviation aircraft has been completed. Designed to reduce pilot familiarization time, these modifications will widen the normal safety margins so critical in Arctic aviation operations.

In response to increasing requirements for fuel and other cargo transport a third DC-3 was acquired thus bringing the total equipment complement



People and freight, the business of Kenting Aviation throughout the Eastern Arctic. Local families are becoming increasingly mobile - no different from their Southern Canadian counterparts.

to seven aircraft including four DHC-6 Twin Otters. During the year additional staff was added in compliance with new Ministry of Transport regulations. The division now employs fifty persons.

KENTING KLONDIKE HELICOPTERS

Serving markets throughout Canada, Kenting's helicopters supported petroleum exploration programmes on Melville Island, flew men and equipment into the Geological Survey of Canada's on-ice seismic recording project near King Christian Island, and provided crew and equipment transport for Kenting Exploration's gravity survey operations. Typical of Klondike's other services are evacuation of the sick and injured from remote locations and transportation of scientists engaged in wildlife surveys. The division fights forest fires for the Alberta Forest Service and also helped extinguish the massive fires in Northwestern Ontario during the fall.

Klondike maintains its administrative base and maintenance facility in Calgary and is staffed by a total of fifty pilots, engineers, technical and administrative personnel. The division directs a Ministry of Transport approved Flight Training course for aspiring pilots. The graduating class is a prime source of well trained, safety conscious pilots many of whom stay to work for the division.

An avionics service centre has been established in conjunction with Kenting Aviation, to test, calibrate and maintain the radio, navigation and general instrumentation used in passenger and freight aircraft. The ability to service this equipment "in house" enables aircraft downtime to be substantially reduced.

A second heavy lift Sikorsky S-58, two medium capability Bell 206B's and one Hiller FH-1100 have been added to the fleet to meet increased demand. Of a total of eighteen machines, fifteen are turbine powered.



Kenting's hangar in Resolute is a service centre for both fixed and rotary wing equipment assuring that all units receive proper maintenance.

KENTING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

	For the year ended December 31	
	1974	1973
Revenue (Note 8)	\$30,450,378	\$28,586,281
Net operating costs	22,926,939	22,126,504
Sales, administration and general expenses	3,361,864	3,807,270
Interest:		
Current	193,175	172,776
Term debt	541,838	521,723
Provision for depreciation	1,663,772	1,864,362
Gain on disposal of property and equipment	(806,865)	(599,953)
	27,880,723	27,892,682
Operating income	2,569,655	693,599
Provision for (recovery of) income taxes:		
Current	340,386	(222,999)
Deferred	894,737	556,695
	1,235,123	333,696
	1,334,532	359,903
Minority interest in net income of subsidiary company	1,320	—
Income before extraordinary items	1,333,212	359,903
Extraordinary items (Note 9)	58,009	(374,931)
Net income (loss) for year	\$ 1,391,221	\$ (15,028)
Earnings (loss) per share (Note 10):		
Income before extraordinary items	\$1.62	\$.50
Net income (loss) for year	\$1.69	\$ (.17)

KENTING LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

ASSETS

	December 31	
	1974	1973
CURRENT		
Cash	\$ 283,165	\$ 253,261
Accounts receivable	7,370,443	6,132,928
Inventory of materials and supplies, at lower of cost or replacement cost	776,849	701,068
Equipment held for resale, at lower of cost or estimated realizable value	214,976	675,184
Contracts and work in progress in excess of billings	849,332	1,080,192
Income taxes recoverable	—	230,244
Prepaid expenses	366,195	155,566
	9,860,960	9,228,443
INVESTMENTS IN OTHER COMPANIES AND JOINT VENTURE (Note 7)	413,527	343,506
PROPERTY AND EQUIPMENT, at cost (Note 2)	17,682,068	17,221,591
Less - Accumulated depreciation	(8,188,913)	(8,467,323)
	9,493,155	8,754,268
OTHER	105,234	56,458
GOODWILL	1,418,807	1,538,851

APPROVED ON BEHALF OF THE BOARD:

Ananda Brind
Director
S W Armstrong
Director

\$ 21,291,683	\$19,921,526
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LIABILITIES

	December 31	
	1974	1973
CURRENT		
Bank advances, secured by accounts receivable	\$ 375,000	\$ 438,784
Accounts payable and accrued	5,371,263	5,201,594
Notes payable	—	616,855
Income taxes payable	99,898	—
Contract advances	794,350	396,552
Term debt due within one year	1,169,491	766,260
	<u>7,810,002</u>	<u>7,420,045</u>
TERM DEBT (Note 3)	4,331,224	5,587,838
DEFERRED INCOME TAXES (Note 4)	1,810,429	1,021,995
PROVISIONS FOR ACCRUED COSTS (Note 1)	739,083	702,982
MINORITY INTEREST IN SUBSIDIARY COMPANY	21,058	—
	<u>14,711,796</u>	<u>14,732,860</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Note 5):		
4,872 6% cumulative redeemable Class A preferred shares of a par value of \$12.50 each (Authorized - 4,872 shares)	60,900	60,900
12,000 6% cumulative redeemable Class B preferred shares of a par value of \$30.00 each (Authorized - 12,000 shares)	360,000	360,000
28,166 6% cumulative redeemable Class C preferred shares of a par value of \$33.50 each (Authorized - 150,000 shares, issuable in series) . . .	943,561	943,561
773,917 common shares of a par value of 50¢ each (Authorized - 2,000,000 shares)	386,959	386,959
PAID IN SURPLUS	3,545,709	3,545,709
RETAINED EARNINGS (DEFICIT)	1,282,758	(108,463)
	<u>6,579,887</u>	<u>5,188,666</u>
COMMITMENTS AND CONTINGENT LIABILITIES (Note 7)		
	<u>\$ 21,291,683</u>	<u>\$ 19,921,526</u>

KENTING LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	For the year ended December 31	
	1974	1973
Deficit, beginning of year	\$ (108,463)	\$ (93,435)
Net income (loss) for year	<u>1,391,221</u>	<u>(15,028)</u>
Retained earnings (deficit), end of year	<u>\$ 1,282,758</u>	<u>\$(108,463)</u>

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	For the year ended December 31	
	1974	1973
Source of working capital		
Revenue	\$30,450,378	\$28,586,281
Less - Net operating costs (excluding net provisions for accrued costs), sales, administration and general expenses, interest and current taxes	<u>27,192,038</u>	<u>26,093,485</u>
Working capital provided from operations	<u>3,258,340</u>	<u>2,492,796</u>
Proceeds from property and equipment disposals	<u>2,028,436</u>	<u>1,616,575</u>
Rebate on purchase price of previously acquired subsidiary	<u>13,741</u>	<u>143,041</u>
Term borrowing	<u>—</u>	<u>566,350</u>
Sale of common shares for cash, less related costs	<u>—</u>	<u>1,061,422</u>
	<u>5,300,517</u>	<u>5,880,184</u>
Use of working capital		
Additions to property and equipment	<u>3,627,090</u>	<u>2,359,884</u>
Decrease in term debt	<u>1,256,614</u>	<u>840,957</u>
Extraordinary item relating to termination of Toronto-based aircraft charter operations	<u>—</u>	<u>366,928</u>
Other, including investment in joint venture	<u>174,253</u>	<u>375,789</u>
	<u>5,057,957</u>	<u>3,943,558</u>
Increase in working capital	<u>242,560</u>	<u>1,936,626</u>
Working capital (deficiency), beginning of year	<u>1,808,398</u>	<u>(128,228)</u>
Working capital, end of year	<u>\$ 2,050,958</u>	<u>\$ 1,808,398</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1974

NOTE 1. ACCOUNTING POLICIES:

Principles of consolidation

The consolidated statements include the accounts of Kenting Limited and its subsidiaries all of which, except for its Nigerian subsidiary, are wholly-owned.

Certain 1973 figures have been reclassified to conform with the 1974 presentation.

The Company's investment in an unincorporated joint venture is carried on an equity basis. The consolidated statement of income includes the Company's share of revenues and expenses of the joint venture. Other investments are carried at cost, less amounts written off.

Foreign exchange

The accounts of the Nigerian subsidiary have been translated into Canadian dollars; current assets and liabilities at the December 31, 1974 exchange rate, other balance sheet accounts and related depreciation at the historical exchange rate, and revenues and other expenses at the average exchange rate for the year. Working capital maintained in Nigeria and subject to Nigerian foreign exchange control regulations amounted to approximately \$834,000 (1973-\$1,113,000).

Contracts and work in progress

The Company follows the practice of recording income from contracts under the percentage-of-completion method of accounting. Any projected losses are provided for in their entirety. The Company has retained proprietary and sales commission rights to technical data relating to completed geophysical and geological appraisal projects in the Canadian North (Quest Data Library) subject to payment of varying portions of sales proceeds to companies which provided services for the projects. The costs of such completed projects have been written off.

Property and equipment

The Company considers certain leases of capital property, because of the terms of such leases, to be purchases. The discounted values of future rental and purchase option payments under these leases are included in property and

equipment and the related commitments are included in term debt. Expenditures which improve equipment capacity or technology or which result in significantly increased asset service lives are capitalized. Gains or losses resulting from disposals of property and equipment are included in earnings when realized. Depreciation rates are applied on a reducing balance basis and will amortize costs, less estimated salvage values, over the estimated economic service lives of the respective assets.

Goodwill

In the opinion of management there is no indication of a decline in value of goodwill (the cost of investment in subsidiaries in excess of fair values assigned to identifiable net assets at date of acquisition) and accordingly it is not being amortized. Goodwill has been reduced by income tax reductions occasioned by the utilization of pre-acquisition losses of a subsidiary (1974-\$106,303) and by rebates on the purchase price of a previously acquired subsidiary (1974-\$13,741; 1973-\$143,041).

Provisions for accrued costs

Provisions for accrued costs amounted to \$739,083 at December 31, 1974 (1973-\$702,982). Provisions are made (by charges to income based upon levels of operating activity) for estimated future liabilities relating to major overhauls of aircraft and helicopters and for costs which are occasionally incurred because of unpredictable delays in carrying out drilling contracts. Actual costs, when incurred, are charged against the appropriate provision to the extent of that provision.

Deferred income taxes

The Company follows the tax allocation method of accounting under which the tax provision is based on the earnings reported in the accounts. Under this method the Company makes full provision for income taxes when expenses claimed for income tax purposes (mainly capital cost allowance) exceed those charged for accounting purposes (mainly depreciation).

NOTE 2. PROPERTY AND EQUIPMENT:

Division	Depreciation rates, mainly	1974	1973
Aircraft and helicopter	9% to 15%	\$ 5,679,977	\$ 5,954,394
Drilling	9% to 33%	6,668,134	6,229,164
Mapping and geophysical	9% to 45%	3,852,922	3,761,782
Oilfield construction	24% to 33%	1,429,035	1,258,751
Other		<u>52,000</u>	<u>17,500</u>
		17,682,068	17,221,591
Less - Accumulated depreciation		<u>8,188,913</u>	<u>8,467,323</u>
		<u>\$ 9,493,155</u>	<u>\$ 8,754,268</u>

NOTE 3. TERM DEBT:

		1974	1973
Bank loans, being repaid in monthly instalments of \$63,334, together with interest at 1% above the prime rate, secured principally by floating charge debentures		\$ 2,277,487	\$ 2,657,491
7 1/2% Convertible sinking fund debentures	(i)	750,000	850,000
6% Debenture, secured	(ii)	1,834,545	1,884,886
6% Note repayable in January 1977		200,090	200,090
Capitalized lease purchase agreements, secured, terminating at various dates to 1976		438,593	552,742
Other		<u>—</u>	<u>208,889</u>
		5,500,715	6,354,098
Less - Payments due within one year included in current liabilities	(iii)	<u>1,169,491</u>	<u>766,260</u>
		<u>\$ 4,331,224</u>	<u>\$ 5,587,838</u>

(i) 7 1/2% Convertible sinking fund debentures Series A, due May 15, 1980, interest payable semi-annually, requiring sinking fund payments of \$100,000 annually from 1975 to 1979 inclusive. Each \$1,000 principal amount is convertible into 46 common shares to May 15, 1978 subject to anti-dilution terms and is redeemable at a reducing premium otherwise than out of the sinking fund. The debentures are not secured by any mortgage, pledge or charge. Covenants contained in the debenture preclude certain transactions (including the issuance of term debt, the payment of dividends, the sale of certain assets and the reduction of capital stock) unless specific conditions are met.

(ii) 6% Debenture, repayable in eight annual instalments of \$250,000 (including interest) beginning January 10, 1975 with payment of remaining balance due January 10, 1983, secured by fixed and floating charges upon the assets of a subsidiary company. Accelerated payment terms are provided in the event that the annual net cash flow of that company, as defined in the debenture, exceeds a certain amount.

(iii) Annual payments due on term debt:

1975	\$1,169,491
1976	1,322,097
1977	1,132,504
1978	354,463
1979	279,670
Thereafter	<u>1,242,490</u>
	<u>\$5,500,715</u>

NOTE 4. INCOME TAXES:

Certain subsidiaries have an aggregate of approximately \$305,000 of tax losses which are available to reduce future taxable income. \$77,000 of these losses are available as tax depreciation and \$228,000 are business losses which expire during the years 1976 to 1978. Provision for anticipated benefits from future utilization of these losses has not been recognized in the financial statements.

NOTE 5. CAPITAL STOCK:

At December 31, 1974 employee stock options exercisable at a price of \$9 per share, and expiring on May 29, 1975, are as follows:

Employees	3,100
Officers	500
	<u>3,600</u>

Preferred shares-

Class C preferred shares outstanding at December 31, 1974 are as follows- first series - 9,000 shares, par value \$301,500; second series - 7,460 shares, par value \$249,910; third series - 11,706 shares, par value \$392,151.

Preferred shares are convertible into common shares as follows:

Class C second series to May 1, 1977 on the basis of 2.65 common shares for each share. Class C third series from January 1, 1983 to December 31, 1987 on the basis of average December, 1982 common share quotations.

Class A and B preferred shares and Class C preferred shares (first and second series) are redeemable at annually reducing premiums which do not exceed 5% in 1975. Class C preferred shares (third series) are redeemable at par.

The Company has reserved 104,004 common shares for the possible conversion of debentures and preferred shares and the exercise of outstanding options.

During the year the number of common shares authorized was increased from 1,000,000 shares to 2,000,000 shares and the number of Class A preferred shares authorized was decreased from 142,000 shares to 4,872 shares.

NOTE 6. DIVIDENDS:

Cumulative preferred share dividends, which were last paid to October 1, 1972 for Class A and B preferred shares and to July 1, 1972 for Class C preferred shares, were in arrears in the amount of \$139,111 at December 31, 1974. On February 27, 1975, the Board of Directors resolved that all preferred share dividend arrears be paid on April 1, 1975.

NOTE 7. COMMITMENTS AND CONTINGENT LIABILITIES:

The Company has guaranteed the repayment of its share of joint venture bank loans. The Company's share of such bank loans, which are being repaid from joint venture earnings, amounted to \$798,000 at December 31, 1974, and its share of the December 31, 1974 joint venture working capital deficiency, including the bank loans, amounted to approximately \$518,000. Joint venture profits did not materially affect 1974 earnings.

The Company is obligated under certain equipment and premises lease agreements to pay approximate annual rentals as follows:

1975	\$250,000
1976	\$192,000
1977	\$153,000
1978	\$ 93,000
1979	\$ 84,000
1980 through 1988	\$ 60,000
	reducing to \$20,000

The leases can be renewed on various terms and some equipment leases provide for options to purchase.

A claim in the approximate amount of \$62,000 has been filed against the Company in connection with an incident involving a Company employee. In the opinion of management, after consultation with counsel, no loss to the Company will result from this claim.

To December 31, 1974 the Company had received technological development grants totalling approximately \$165,000 from the Federal government. In the event that a commercially successful product is developed the grants are repayable.

The Company is contingently liable for the usual liabilities of contractors, indeterminate in amount, for completion of contracts.

NOTE 8. REVENUE:

The revenue resulting from the operation of each of the Company's main classes of business, expressed as a percentage of total revenue, was as follows:

	1974	1973
Drilling	32%	38%
Mapping and geophysical	31%	32%
Oilfield construction	21%	15%
Aircraft and helicopters	16%	15%
	<u>100%</u>	<u>100%</u>

NOTE 9. EXTRAORDINARY ITEMS:

	1974	1973
Gain on sale of investment	\$58,009	\$ -
Expenses relating to termination of Toronto-based aircraft charter operation, net of deferred income tax recovery of approximately \$204,000	—	(204,240)
Write-down of investments in other companies	—	(170,691)
	<u>\$58,009</u>	<u>\$(374,931)</u>

NOTE 10. EARNINGS (LOSS) PER SHARE:

Basic earnings per share-

The earnings (loss) per share figures are calculated using the weighted average number of shares outstanding (773,917 - 1974; 562,052 - 1973) after deducting preferred share dividend requirements (\$81,868 - 1974; \$80,771 - 1973).

Fully diluted earnings per share-

If it were assumed that the shares reserved for possible exercise of options or conversion of senior shares and debt (Note 5) had been issued as at January 1, 1974 the earnings per share for 1974 would have been:

Income before extraordinary items . .	<u>\$1.50</u>
Net income for year	<u>\$1.57</u>

NOTE 11. REMUNERATION OF DIRECTORS AND OFFICERS:

	1974		1973	
	Number	Total	Number	Total
Directors	10	\$ 21,833	12	\$ 22,000
Officers	7	<u>157,323</u>	8	<u>198,614</u>
		<u>\$179,156</u>		<u>\$220,614</u>

Officers who were also directors: 1974 - 2; 1973 - 5.

AUDITORS' REPORT

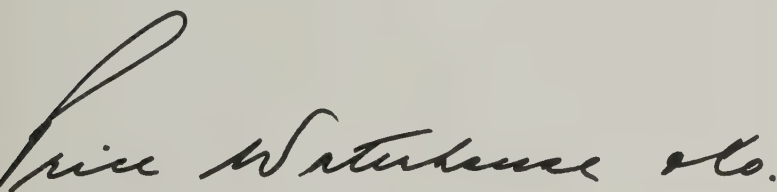
To the Shareholders of

KENTING LIMITED:

We have examined the consolidated balance sheet of Kenting Limited and subsidiaries as at December 31, 1974 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination of the financial statements of Kenting Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the other subsidiaries.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary Alberta
February 28, 1975



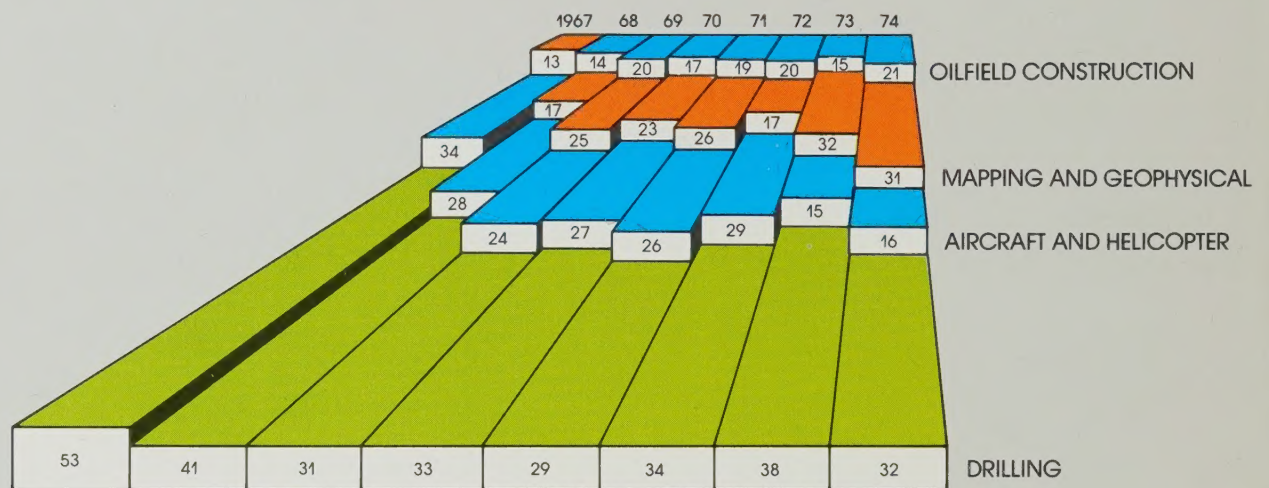
Chartered Accountants

KENTING LIMITED AND SUBSIDIARIES

EIGHT YEAR FINANCIAL SUMMARY

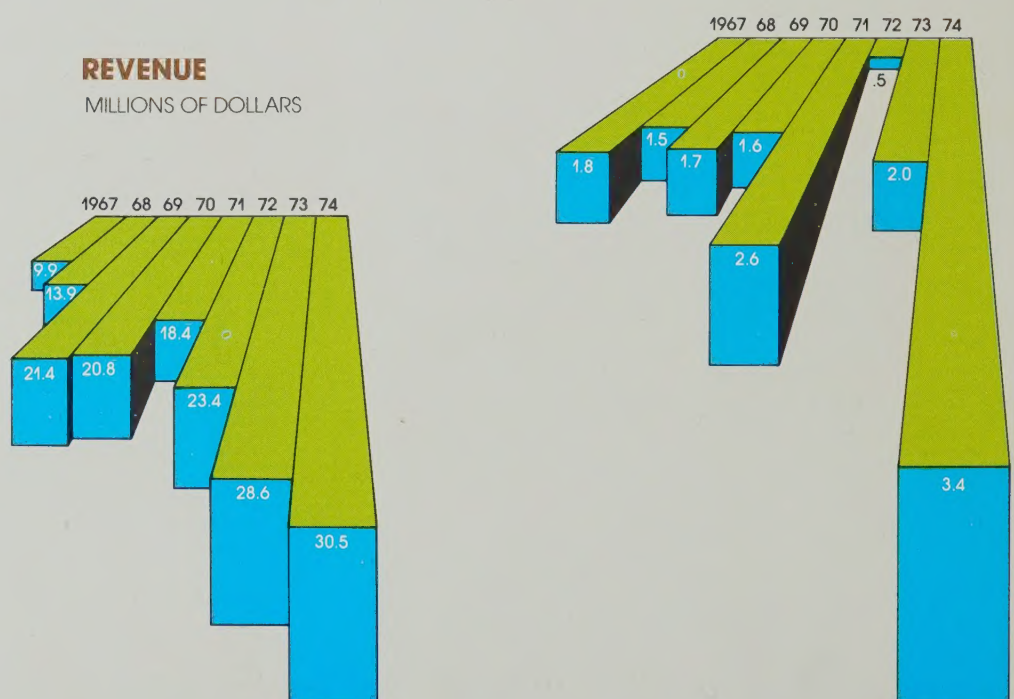
REVENUE BY MAIN CLASS OF BUSINESS

AS A PERCENTAGE



CASH FLOW FROM OPERATIONS (before income taxes)

MILLIONS OF DOLLARS





3rd Floor, 700 - 6th Avenue S.W., Calgary, Alberta, T2P 0T8, Telephone: (403) 263-2980, TELEX: 03-824542

CORPORATE PROFILE:

Kenting is a technical group of Canadian service companies engaged in the identification of natural and human resources.

EMPLOYEE PHOTOGRAPHY CREDITS

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International Airport
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KENTING OILFIELD SERVICES DIVISION

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Edmonton, Alberta, T6C 4G1
Telephone: (403) 469-1361

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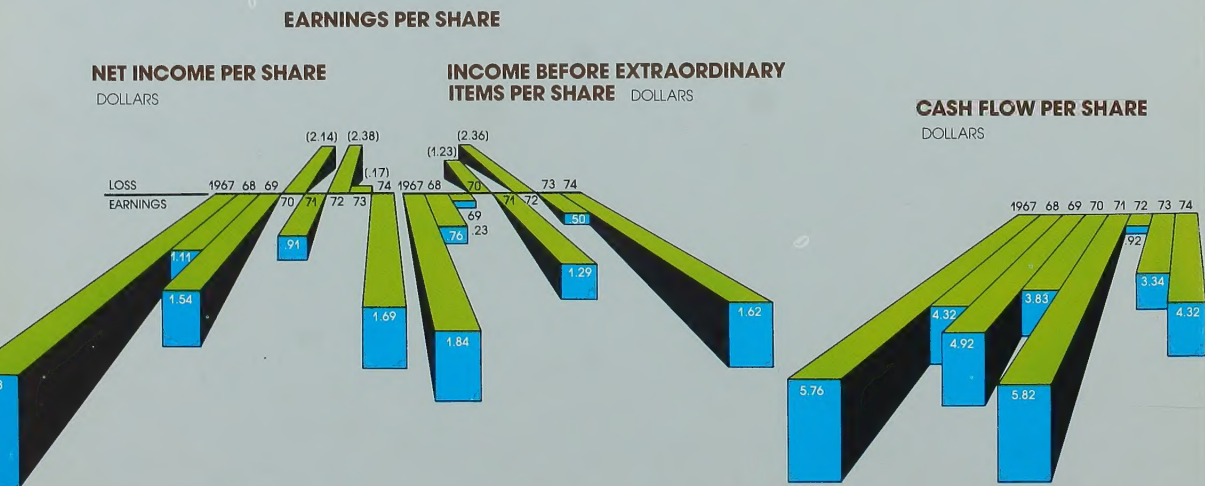
YEAR END FINANCIAL POSITION (in thousands)

	1974	1973	1972	1971	1970	1969	1968	1967(1)
Working capital	\$ 2,051	1,808	(128)	1,401	(207)	(241)	1,086	331
Fixed assets, cost	\$ 17,682	17,221	16,960	12,079	14,404	14,961	10,907	8,561
Accumulated depreciation	\$ (8,189)	(8,467)	(7,735)	(6,418)	(5,918)	(4,993)	(4,246)	(3,274)
Net	\$ 9,493	8,754	9,225	5,961	8,486	9,968	6,661	5,287
Term Debt	\$ 4,331	5,588	5,862	2,215	2,903	4,049	3,710	2,621
Common shareholders' equity	\$ 5,076	3,824	2,770	3,333	1,945	1,782	1,435	1,115

EARNINGS PER SHARE

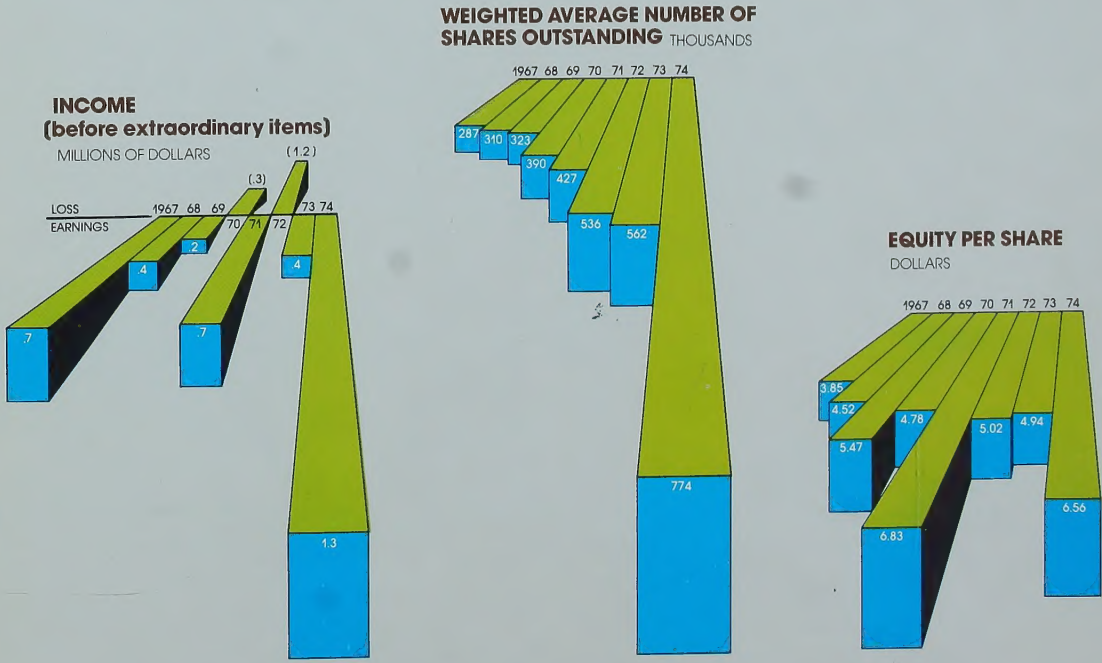
Earnings per common share (after provision for preferred share dividends):								
Cash flow from operations	\$ 4.32	3.34	.92	5.82	3.83	4.92	4.32	5.76
Income (loss) before extraordinary items	\$ 1.62	.50	(2.36)	1.29	(1.23)	.23	.76	1.84
Net income (loss)	\$ 1.69	(.17)	(2.38)	.91	(2.14)	1.54	1.11	2.08
Weighted average number of shares outstanding	773,917	562,052	535,582	427,206	389,921	323,044	309,585	286,823
Provision for preferred share dividends	\$ 81,868	80,771	53,204	121,048	136,106	146,190	146,190	146,190
Fully diluted earnings (loss) per common share:								
Income (loss) before extraordinary items	\$ 1.50	.50	(2.36)	1.12	(1.23)	.45	.71	1.36
Net income (loss)	\$ 1.57	(.17)	(2.38)	.85	(2.14)	1.20	.92	1.49
Dividends per share paid:								
Common	\$ —	—	—	—	—	—	.30	.30
Class A preferred	\$.375	—	.375	1.875	—	.375	.75	.022
Class B preferred	\$.90	—	.90	4.50	—	.90	1.36	—
Class C preferred								
— first series	\$ —	—	2.01	5.025	—	—	.38	—
— second series	\$.161	—	—	—	—	—	—	—

(1) 1967 is restated to give effect to a 1968 business combination accounted for as a pooling of interests. Income in that year has been reduced by the amount of net income applicable to the purchase portion of a subsidiary company combined on a partial pooling of interests basis.



OPERATING RESULTS (in thousands)

	1974	1973	1972	1971	1970	1969	1968	1967(1)
Revenue	\$ 30,450	28,586	23,418	18,397	20,821	21,419	13,856	9,855
Net operating costs, sales, administration and general expenses and current interest	26,482	26,106	22,559	15,545	18,728	19,182	12,095	7,911
Interest on term debt	542	522	312	243	463	501	277	145
Cash flow from operations	27,024	26,628	22,871	15,788	19,191	19,683	12,372	8,056
Depreciation, depletion and amortization	3,426	1,958	547	2,609	1,630	1,736	1,484	1,799
Loss (gain) on disposal of property and equipment	1,664	1,864	2,337	1,337	2,116	1,047	738	613
Operating income (loss)	(807)	(600)	65	(64)	16	(11)	(52)	(56)
Income taxes provided (recovered):	857	1,264	2,402	1,273	2,132	1,036	686	557
Current	2,569	694	(1,855)	1,336	(502)	700	798	1,242
Deferred	340	(223)	87	295	(40)	29	110	76
Portion of net income of pooled companies applicable to purchase	895	557	(733)	370	(121)	450	307	422
Minority interest in net income of subsidiary company	1,235	334	(646)	665	(161)	479	417	498
Income (loss) before extraordinary items	1,334	360	(1,209)	671	(341)	221	381	744
Extraordinary items	—	—	—	—	—	—	—	70
Net income (loss)	1	—	—	—	—	—	—	—
Income (loss) before extraordinary items	1,333	360	(1,209)	671	(341)	221	381	674
Extraordinary items	58	(375)	(13)	(163)	(355)	422	109	68
Net income (loss)	\$ 1,391	(15)	(1,222)	508	(696)	643	490	742



KENTING LIMITED 1974 ANNUAL REPORT

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